

# The Influence of Entrepreneurial Orientation, Marketing Capability and Social Capital on Innovation Capability in Rabadompu Bima Weaving Fabrics Entrepreneurs

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**Abstract:-** This research aims to examine how the ability to innovate in the weaving industry in Rabadompu Bima through entrepreneurial orientation, marketing capability and social capital. By using the survey sample method to see the responses of 65 respondents of woven product craftsmen to the statements submitted by researchers. The technique used in this research is Structural Equation Modeling (SEM) with smart PLS software. If the values of entrepreneurship orientation, marketing capability and social capital are high, innovation capability will be high. This study also explains that increased ability to innovate is influenced by entrepreneurial orientation and marketing capability. While Social capital in the woven product business cannot affect innovation capability.

**Keywords:-** Entrepreneurship orientation, marketing capability, social capital, innovation capability.

## I. INTRODUCTION

Weaving belongs to one of Indonesia's unique cultural arts which is produced by the hand skills of Indonesian residents by using very simple or traditional looms. The word weaving itself has a high meaning, historical value, and technique in terms of colors, motifs, and the type of material and yarn used, and each region has its own characteristics. each unique. In addition, weaving is also one of the cultural heritages of the Indonesian nation which should be preserved and preserved. In Bima, it is no stranger to hearing and seeing woven cloth in the form of Tembe Nggoli. According to data from the Koperindag service, Kota Bima (2019), there are 2,277 woven product entrepreneurs based on the Rabadompu sub-district. Bima woven fabric or commonly known as Muna Mbojo cloth has a uniqueness or feature that is different from other regional woven fabrics, because the woven fabric can be used as a Rimpu (Bima's typical head covering or headscarf) and the woven fabric product itself is not just a piece of cloth, but has a philosophy history of the Bima tribe. In the midst of its development, this woven product still has a number of obstacles and challenges, many business actors still do not understand how consumers taste, while still holding on to the principles of making cloth inherited from the time of their ancestors.

Here, Innovation has a very important role in a woven product business because technological advances and high living standards make customers quickly turn around. In order to remain competitive in the market, companies need to improve their ability to innovate. In increasing innovation, companies must have knowledge and ability (M Delgado-Verde, G Martín-de Castro, 2011). Innovations is also a very important element for companies to increase high competitiveness in both national and international markets (Saunila, 2016).

The results of research conducted by (Purwantoro, 2017), with the results of research on entrepreneurial orientation have no significant effect on the innovation variable. Research conducted by (Cillo, P., De LM Luca, 2010) which in his research explains that marketing performance has no significant effect on innovation. Research conducted by Ahmadi (2011) shows that the relationship between social capital and SME innovation does not seem to have a direct effect. Thus there is a *research gap* that can be filled by researchers.

## II. LITERATURE REVIEWS

### A. Theory Of Creative Industries

The term creative industry first appeared in Australia in 1990. Historically, Australia formally adopted the creative industry in 1994, and the UK in 1997 (Setiawan, 2012). Industry concept. Besides Howkins, the creative economy was also introduced by Richard Florida in his book entitled *The Rise of Creative Class and Cities and the Creative Class*, which spoke about the economy and creative industries, and creative classes in creative communities or communities (*creative class*) (Setiawan, 2012). The development of the creative industry and economy is then formulated and designed in the *Creative Industries document Mapping Document* 1998 published by the Department for Culture, Media, and Sport (DCMS), the ministry that handles the creative industries in England. The document explains that there are 13 areas of creative industrial and economic activity that must be developed, namely 1) advertising, 2) architecture, 3) arts and antiques, crafts, 4) design, 5) fashion, 6) film, 7) interactive entertainment software, 8) music, 9) publishing, 10) performing arts, 11) interactive games, 12) software, and 13) television and radio. Several creative economies in the UK have developed rapidly and have been able to open new jobs for the people.

**B. Innovation Capabilities**

Innovation capability is recognized by companies as having a valuable value for maintaining competitive advantage in carrying out the overall strategy of the company (Lawson, B., & Samson, 2001) . Innovation capabilities make it easier for companies to introduce a new product quickly and adopt new systems. Innovation capability has a significant influence on the performance of a company (Rosli, 2003).

**C. Influence Entrepreneurial Orientation towards Innovation capability**

In creating a competitive company, it requires renewal starting from renewing ideas, ideas, and new product concepts, this is the same as the concept of innovation (Madhoushi et al., 2011) . Research from (Helia et al., 2015) To be able to compete in the market , an industry must create excellence in the products it produces. Innovation can be used as a strategy to achieve competitive advantage. Therefore, it is necessary to increase product innovation to achieve competitive advantage, namely by means of market orientation and entrepreneurship orientation. The indicators used in this study are: 1) *Autonomy* 2) *Competitive Aggressiveness* 3) *Risk Taking* 4) *Innovativeness*.

**H1** = Higher *Entrepreneurial Orientation* the higher *the Innovation capability*.

**D. Effect of Marketing Capability on Innovation capability**

(Baldwin, 1995) said that small and medium scale companies will be innovative when giving greater emphasis on developing marketing, financial, production and human resource capabilities. *Marketing Capability* as a process of understanding market conditions helps encourage

individuals to know consumer tastes. Information about consumer tastes becomes a guide for individuals to innovate products and services to meet consumer needs. (Yu & Prithwiraj, 2017) states that *Marketing Capability* has a significant effect on *Innovation capability* where *Marketing Capability* will increase the ability to understand market conditions and marketing capabilities that can motivate individuals to bring about innovation. The indicators used in this research are; 1) pricing 2) *personal selling* 3) *marketing communication*

**H 2** = Higher *Marketing Capability* the higher *the Innovation capability*.

**E. The influence of Social capital on Innovation capability**

Social capital functions as an intermediary between networks of relationships between individuals and generates opportunities for cooperation and exchange of information. The results of this information will result in innovative discoveries or new markets. (DeWever et al ., 2005; Welter, 2012; Gedajlovic et al ., 2013). (Jamshidi & Kenarsari, 2015) in his research argues that social capital can increase the company's innovative behavior, well-formed social capital will have an impact on company performance, one of which is creative and innovative behavior. The indicators used in the research are as follows; 1) establish cooperation 2) build trust 3) social networks

**H 3** = Higher *Social Capital*, Higher *Innovation capability*.

**F. Research Conceptual Framework**

The conceptual framework of this study is illustrated through the following scheme:

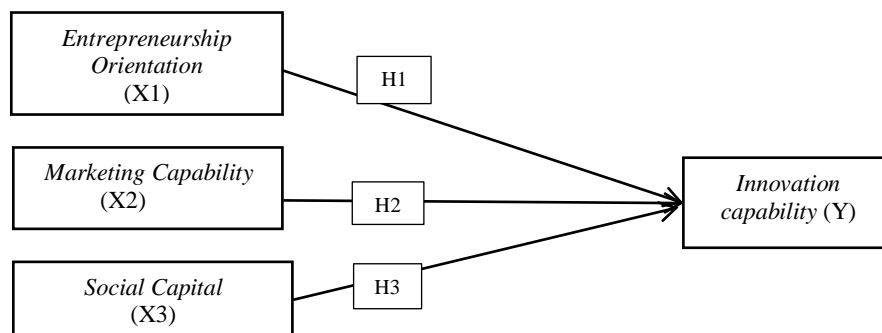


Fig. 1: Conceptual Framework Model

**III. RESEARCH METHODS**

This type of research is quantitative research. The population in this study is the owner of a weaving business in the West Rabadompu village, Bima, West Nusa Tenggara. The sample in this panel was 65 respondents with the criteria of a weaving business owner who had been running his business for the last 3 years. Because the population size is unknown, the sampling technique is *non-probability sampling*. Data collection was carried out by distributing questionnaires in research locations. In this study, each research variable was measured by a score that referred to *the semantic differential scale* and data testing using smart PLS v 3.2.9.

**IV. RESULTS**

**A. Validity and reliability**

The measurement model or outer model explains the construct validity and reliability of all variables in the hypothetical model. Construct validity and reliability are explained in the loading factor, composite reliability and average variance extracted (AVE). In the measurement model, validity and reliability are said to be good if the loading factor and AVE do not exceed the limit of 0.5 while composite reliability and Cronbach's alpha show satisfactory values if above 0.7 (Hair, et al., 2014).

Table 1: Validity and Reliability

Indicator Items	Outer Loadings	Composite Reliability	Cronbach's Alpha	Average Variance Extracted (Ave)
<b>Entrepreneurial Orientation</b>				
I always dare to face competitors	0.767	0.914	0.874	0.651
I am always ready to face the risk of uncertain business climate	0.716			
I always try to improve the quality of work	0.851			
I always strive to innovate products	0.883			
<b>Marketing Capabilities</b>				
I adjusted the price with other woven product shops	0.675	0.891	0.816	0.627
I have a relationship with the distribution	0.826			
I always do personally to customers	0.865			
<b>Social Capital</b>				
I always try to establish cooperation between woven product entrepreneurs	0.934	0.892	0.819	0.619
I always build mutual trust between woven product entrepreneurs	0.682			
I always form a close social network between woven product entrepreneurs	0.722			
<b>Innovation Capabilities</b>				
I always try to improve product quality	0.903	0.892	0.819	0.673
I always strive to improve service quality to create customer satisfaction	0.807			
I always try to market products with new marketing methods	0.742			

Source: Data Processed Through Sem Pls (2023)

From the convergent validity test by looking at the outer loading value it has a value of more than 0.6 so that the item statement is said to be valid. The AVE value obtained from each construct shows a value above 0.5 so that it is included in the good category. While the 4 studies on Cronbach alpha and composite reliability values show that all variables have a value greater than 0.7 so they are said to be reliable.

**B. Measurement Model**

The image below is a schematic of the PLS model tested. From the scheme it is explained that there are 4 variables tested, namely entrepreneurial orientation (X1) with 4 indicator items; Marketing Capability (X2) with 3 indicator items ; Social capital (X3) with 3 indicator items ; Innovation capability (Y) with 3 indicator items.

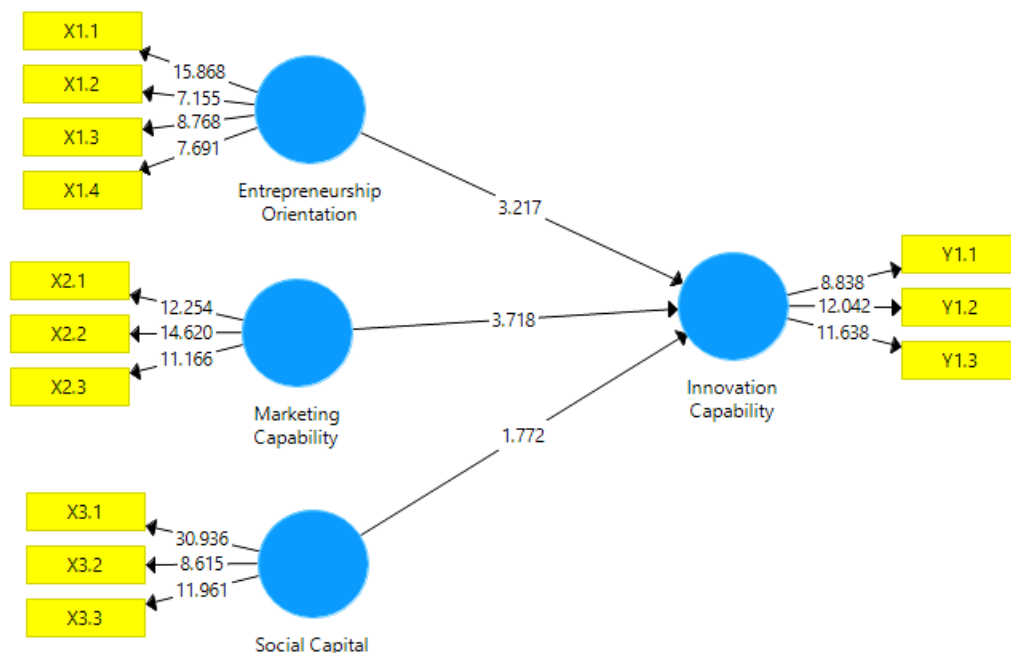


Fig. 2: Path coefficient model with PLS Bootstrapping  
Source: Data Processed Through SEM PLS

C. R-Square value

R-square value describes how much the independent variable can explain the dependent variable, it can be seen from the table below:

Variable	R -Square
Innovation capability	0.852

Source: Data Processed Through Sem Pls (2023)

The table above shows the R -square Innovation capability value of 0.852 where the higher the R -square

value , the greater the ability of these exogenous variables to be explained by endogenous variables so that the better the structural equation built in the research model.

D. Statistical Test Results

Hypothesis testing can be done through t-statistic values and probability values through bootstrapping in PLS. The t-statistic values and p-values of each hypothesis in this study are shown in the table below:

Table 2: Results For Inner Weights

Hypothesis	Interrelationships Variable	T-Statistics	P-Values	Information
H1	Entrepreneurial orientation → innovation capability	3,217	0.001	Significant
H2	Marketing capability → innovation capability	3. 718	0.00 0	Significant
H3	Social capital → innovation capability	1,772	0.0 39	Positive Not Significant

Source: Data Processed Through Sem Pls (2023)

V. DISCUSSIONS

A. The Effect of Entrepreneurship Orientation on Innovation capability

The results of data analysis show that Entrepreneurship Orientation has a positive and significant effect on Innovation capability. These findings support (Danny & Utama, 2020) where his research shows positive and significant results between marketing capability and innovation . good entrepreneurship, however, There is many factors other things that can help increase business innovation, such as creativity and market orientation and the need to understand consumer needs in order to dominate the market with innovations made.

B. The Effect of Marketing Capability on Innovation capability

The results of the analysis show that Marketing Capability has a positive and significant effect on Innovation capability. This finding supports the argumentation (Lee & Hsieh, 2010) where his research shows positive and significant results between Marketing Capability on innovation. Marketing Capability is one of the capabilities that greatly influences Innovation capability so that it must be built and developed to create and develop Innovation capability in a business.

C. The Effect of Social Capital on Innovation capability

The results of the analysis show that social capital has no significant positive effect on innovation capability. Based on the results of this study, it can be interpreted that the social capital applied by woven product businesses in Bima Rabadompu Barat has no real effect on the innovation capability of woven products. these findings do not support the findings by (Budiarti, 2021) where the research shows positive and significant results between Social Capital on innovation.

VI. CONCLUSION

- Entrepreneurial Orientation has a positive and significant effect on Innovation capability. This means that woven cloth business actors carry out a high entrepreneurial orientation and therefore produce high product innovation as well .
- Marketing Capability has a positive and significant effect on Innovation capability . This means that the woven fabric business actors in West Bima rabadompu have high Marketing Capability and therefore produce high Innovation capability.
- Social capital has no significant positive effect on Innovation capability. This means that if the woven fabric business actor has high social capital , it will also produce high innovation capability. Vice versa, if the social capital is low, the innovation capability is low.

VII. RECOMENDATIONS

Some suggestions that can be given based on the results of this study are as follows:

1. Woven product business actors have not been able to realize their creative power in developing new products or promotional steps taken due to financial limitations, human resources, and owned facilities so it is suggested that woven product business actors begin to open up to cooperate with customers outside the Bima region so that weaving products are more widely known, and also attend seminars or training relevant to the business being run.
2. It is suggested to business actors of woven products to develop their products according to the needs and desires of customers where not only cloth or sarong is preferred but there are other products such as other accessories in order to improve the company's marketing performance.

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